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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 001254

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TAGS: [ENRG](#) [PGOV](#) [EAGR](#) [EPET](#) [IR](#) [IZ](#)

SUBJECT: KRG BUILDING ITS OWN POWER GENERATING CAPACITY

REF: 07 BAGHDAD 2902

Classified By: Economic Minister Counselor Charles P. Ries for reasons 1.4(b) and (d)

¶1. (C) Summary: A privately-constructed build-own-operate 500 MW power plant located on the outskirts of Irbil at Pir Daoud should be completed by July 2008. Since the supply of associated gas it was designed to run on is not yet available, two of the 125 MW GE turbines have been retrofitted to run on diesel fuel imported from Iran. Groundbreaking for this plant took place in February 2007; work began in earnest in June 2007. KRG Minister of Electricity Hoshyar told EMIN, in Pir Daoud on April 16, that the KRG has no intention linking this power plant into the national grid. Complaining that the KRG has not received the electricity it is due from the national grid, Siwaily asserted that "We will not share what we have built by ourselves for ourselves." EMIN, Econoff, and PRT Irbil leader visited this project to see if the build-own-operate aspect (not the grid independence) can be replicated elsewhere in Iraq. End summary

¶12. (C) On April 16, EMIN met with KRG Minister of Electricity Hoshyar Siwaily at a power plant under construction at Pir Daoud, on the outskirts of Irbil City. When fully operational, this build-own-operate gas-fired power plant should be able to produce 500 MW. The Pir Daoud plant is designed to burn associated gas produced by the Khormorah gas field. A roughly 140 km long gas pipeline to the power plant is currently under construction.

¶13. (C) Until the associated gas is available, possibly as soon as July or August 2008, two of the four GE Frame 9 turbines have been retrofitted to run on Iranian-origin diesel directly purchased by the KRG. When fully operational, the two retrofitted turbines will burn about 1.75 million liters of fuel per day. This will require 48 diesel tanker trucks of fuel per day; the plant has a storage capacity of approximately six days of fuel supply. Siwaily noted that the plant was purchasing its diesel on the "free market" at the local price of 360 Iraqi Dinars (USD 0.30) per liter. This is because SOMO will only sell diesel to the KRG at its official "export" price that is currently 750 Iraqi Dinars (USD 0.63) per liter, he said.

¶14. (C) Siwaily said that one of the four turbines was ready to begin generating electricity, but that it would not be started until the power plant had built up sufficient fuel reserves, an ongoing process. He expected that two turbines would be in use by June 1, generating up to 250 MW of power. (Note: If the turbines burn diesel as opposed to natural gas, then their output will likely be diminished by 40 MW per unit so that actual output of two turbines on diesel will likely only be 210 MW. End note.) Only the first two turbines would be retrofitted to run on diesel. Siwaily was "optimistic" that all four turbines would be ready by July 2008. The investor plans to add an additional two turbines to the plant in the future.

¶ 15. (SBU) Ground was broken for this project in February 2007, but work did not begin in earnest until June 2007. There are mostly Iraqi engineers on the project; many of these come from Baghdad. The labor force doing the construction is made up of workers from the local area. The project is overseen by Granite Services International, Incorporated, an American company (affiliated with General Electric) headquartered in Tampa, FL. Large-sized parts for the power plant were shipped overland from Turkey; smaller components have been shipped into Iraq directly via DHL.

¶ 16. (SBU) The electricity generated at Pir Daoud will be sent out at 50 hertz to a 132 kilovolt substation near Irbil. The Irbil grid will be islanded from other grids to protect the Pir Daoud plant from unnecessary shut-downs caused by frequency changes at other power plants. There is a plan to connect Sulaymaniyah to this island and add in the power generated at the Dukan hydropower dam.

¶ 17. (C) The KRG has contracted with the MAS-Jordan company owned by Iraqi Kurdish investor Ahmed Ismail to build both the Pir Daoud plant and the Taq-Taq plant in Sulaymaniyah (reftel). MAS-Jordan sub-contracted the construction of Pir Daoud to the GE-affiliated Granite Services, Inc. There is a "take-or-pay" provision in the contract, guaranteed by the KRG, so that whether or not the plant is able to run due to lack of fuel or security issues, MAS-Jordan will receive some remuneration. Siwaily noted that the KRG is obligated to provide fuel (diesel or gas) free of charge and to pay MAS-Jordan USD 2.9 cents/kwh for delivered power. Siwaily also noted the frequency of the national grid is so erratic that the Pir Daoud facility and its GE Frame 9's risked serious damage if they were connected to the grid.

BAGHDAD 00001254 002 OF 002

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"We Will Not Share"  
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¶ 18. (C) Complaining that the KRG does not receive its promised share of electricity from the national grid, Siwaily asserted that no power from the Pir Daoud plant would go outside of the KRG. "This is a private sector plant, not from the federal government. They have paid no money for it. We will not share what we have built ourselves for ourselves," he said.

¶ 19. (C) The KRG is supposed to receive 33 percent of the electricity from the northern grid. It has been getting only 18-20 percent, Siwaily asserted. This amounts to 100-120 MW. In March, the KRG should have received an average of 400 MW from the national grid, but only received 187 MW. The "missing half" goes to Tikrit and Mosul, he said. Sulaymaniyah only had 1.7 hours of electricity per day in January, 2 hours per day in March, and was on track to have about 3 hours per day in April. Mosul and Tikrit have more than 10 hours of electricity per day, he noted, while Diyala was getting more than 15 hours per day.

¶ 110. (C) "I have the intention to separate completely from the national grid," said Siwaily. "They give us no electricity and no diesel." Since 2007 the KRG has had its own budget for electrical projects and is building its own power plants in order to become self sufficient.

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Comment  
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¶ 111. (C) Given the anticipated water shortages in Iraq this summer, due to insufficient rainfall, Siwaily's pointed comments on the amount of electricity the KRG has received from the national grid indicate that KRG authorities may place more importance on utilizing water reserves in the

Dukan and Derbandikan Dams for hydropower generation than ensuring that non-KRG regions have adequate water supplies. Post will monitor the situation and encourage the KRG to fulfill its commitments to the national water release plan so as to maintain water levels in the Tigris River necessary to support the needs of municipal and agricultural consumers downstream.

¶12. (C) Post is also researching the contract terms of this build-own-operate power plant project to see if it could be replicated successfully elsewhere in Iraq.

¶13. (U) This report has been coordinated with PRT Irbil.

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